

§ 351.30

31 CFR Ch. II (7–1–04 Edition)

§ 351.30 What are interest rates and monthly accruals for bonds with issue dates of May 1, 1997, or thereafter, during the original maturity period?

Savings bond rates (defined in § 351.13) apply to earnings during the first semiannual rate period beginning on or after the effective date of the rate. Interest is credited on the first day of each month and compounded semiannually. Interest accrues beginning with the fourth month from the issue date. For example, a bond issued in January has interest first credited

on May 1, which represents one month of interest because of the 3-month interest penalty. The following table shows, for any given month of issue with rates announced each May and November, the months making up the semiannual rate period during which interest is earned at the announced rate (disregarding the penalty for bonds redeemed prior to 5 years after the issue date) and the months in which the bonds increase in value. This rate is an annual rate compounded semiannually.

If issue month is—	And rate announcement/effective date is—	Then, semiannual rate periods in which interest is earned include months of—	And bonds increase in value on 1st day of months of—
Jan. or Jul	May 1	Jul. through Dec	Aug. through Jan.
Feb. or Aug	May 1	Aug. through Jan	Sep. through Feb.
Mar. or Sep	May 1	Sep. through Feb	Oct. through Mar.
Apr. or Oct	May 1	Oct. through Mar	Nov. through Apr.
May or Nov	May 1	May through Oct	Jun. through Nov.
Jun. or Dec	May 1	Jun. through Nov	Jul. through Dec.
Jan. or Jul	Nov. 1	Jan. through Jun	Feb. through Jul.
Feb. or Aug	Nov. 1	Feb. through Jul	Mar. through Aug.
Mar. or Sep	Nov. 1	Mar. through Aug	Apr. through Sep.
Apr. or Oct	Nov. 1	Apr. through Sep	May through Oct.
May or Nov	Nov. 1	Nov. through Apr	Dec. through May.
Jun. or Dec	Nov. 1	Dec. through May	Jan. through Jun.

§ 351.31 What is the interest penalty for Series EE bonds with issue dates of May 1, 1997, or thereafter, that are redeemed less than 5 years after the issue date?

If you redeem a Series EE savings bond with an issue date of May 1, 1997, or thereafter, less than five years following the issue date, we reduce the overall earning period from the issue date by three months. For example, if you redeem a bond issued January 1, 1998, 9 months later on October 1, 1998, we will determine the redemption value by applying the redemption value calculation formula described in § 351.32 and the savings bonds rate for that bond at 6 months after the issue date on July 1, 1998. The redemption value of a bond subject to the 3-month interest penalty shall not be reduced below the issue price. This penalty does not apply to bonds redeemed 5 years or more after the issue date.

§ 351.32 How are redemption values calculated for Series EE bonds with issue dates of May 1, 1997, or thereafter?

(a) *Formula for redemption value.* We determine the redemption value of a bond for the accrual date (the first day of each month beginning with the fourth month from the issue date) in accordance with this section and the following formula:

$$FV = PV \times \{[1 + (i \div 2)]^{(m/6)}\}$$

where

FV (future value) = redemption value on redemption date rounded to the nearest cent.

PV (present value) = redemption value at the beginning of the semiannual rate period

i = savings bonds rate converted to decimal form by dividing by 100.

m = number of full calendar months outstanding during the semiannual rate period.¹

¹The following hypothetical example illustrates how this formula is applied:

Example, assume a hypothetical savings bonds rate of 5.00% effective May 1, 2002, for a bond denominated at \$25, with an issue date of September 1, 1997 and a redemption